WRITTEN STATEMENT

on

HR 1191, COMMUNITY DEVELOPMENT BLOCK GRANT RENEWAL ACT

AND

FY 2003 ADMINISTRATION BUDGET PROPOSAL ON THE CDBG PROGRAM

By

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House Subcommittee on Housing and Community Opportunity

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Madam Chairwoman and Members of the Subcommittee:

My name is Greg Hoover, Manager of Housing and Neighborhood Development for the City of Davenport, Iowa, and President of the National Community Development Association (NCDA) on whose behalf I am testifying today. I am also appearing on behalf of the U.S. Conference of Mayors, the National Association of Counties, the National Association for County Community and Economic Development, and the Council of State Community Development Agencies. Each of these organizations shares NCDA's strong opposition to H.R. 1191, the "Community Development Block Grant Renewal Act."

Now in its 28th year, CDBG is the Federal government's most successful domestic program. The CDBG program's success stems from its utility. It provides cities, counties and states with an annual, predictable level of funding, which can be used with maximum flexibility to address neighborhood revitalization and affordable housing needs. Let me be perfectly clear; the program's success depends upon local control and flexibility. The needs of Davenport, Iowa are different than the needs of Los Angeles, California or Orange County, Florida. The strategies required to meet those needs are different as well.

In 1999, NAHRO released a report entitled "More than Bricks and Mortar: The Economic Impact of the Community Development Block Grant Program." According to the report, between 1975 and 1999, cities, counties and states spent 28.38% of their funds on housing related activities, 29.60% on public facilities, 12.28% on planning and administration, 9.66% on public services, 9.34% on acquisition and clearance of slum and blighted areas, 8.03% on economic development, and 2.71% on other activities. Over that 25-year period, the largest spending category for entitlement communities (metro cities and urban counties) was housing, whereas public facilities proved to be the largest category for state small communities programs. The contrast between how entitlement and non-entitlement jurisdictions prioritized CDBG spending for certain activities such as housing, public services and public utilities further supports the idea that the program has the flexibility to adjust to the local needs of communities both large and small. According to HUD's most recent data, in FY 2001 alone CDBG assisted in the rehabilitation or construction of 172,000 housing units benefiting low- and moderate-income households. CDBG-funded economic development activities created or retained 114,000 jobs for low-and moderate-income persons.

As you know, H.R 1191 would increase from 70 percent to 80 percent the aggregate amount of funding, over three years, that must benefit low-and moderate-income persons, and 40 percent of funding would have to benefit those at or below 50 percent of the area median income. The bill further targets CDBG funding by disallowing the claiming of low-and moderate-income benefits for activities undertaken in areas that are not primarily residential in character. In other words, use of CDBG funds in downtown areas that are not primarily residential would not count against the proposed 80 percent and 40 percent principal benefit tests. This is counterproductive. In many communities, the downtown business district is the central location for services and commodities available to low-and moderate-income residents.

H.R. 1191 would seriously undermine the CDBG program's flexibility, effectively eliminate area benefit activities, and eliminate use of the exception criteria for communities and states whose poor persons are dispersed rather than concentrated. Instead of continuing as a powerful tool for expanding affordable housing opportunities and encouraging neighborhood revitalization, this legislation would turn CDBG into an inflexible "anti poverty" program, something Congress never intended.

The bill also reintroduces the notion of "proportionate accounting," a concept that last emerged in 1989 and 1990 when it was pushed by former Assistant Secretary for Community Planning and Development Anna Kontradas. Under this provision, area benefit activities would be considered to principally benefit persons of low- and moderate-income persons or persons of low-income, as applicable, only in the same proportion as the proportion of the population of the area that is comprised of persons of low and moderate income or persons of low income. CDBG funds used for housing and job-creation activities would also be subjected to the same proportionate accounting. Application of this requirement would effectively thwart efforts to rescue neighborhoods just beginning to decline, where the injection of a modest amount of funds could make a tremendous difference. Compare this to waiting for complete decline and then sinking much larger amounts of funding into revitalization efforts. This proportionate accounting scheme would also preclude addressing pockets of poverty in urban counties where the poor tend to be spread out rather than concentrated.

Many regions of the country, particularly those in the Great Plains and the more rural states have dispersed populations. This proposed amendment would make it extremely difficult for cities in these areas to spend their CDBG funds. The requirements laid out in this legislation would, in effect, suggest to cities in these regions that the only activities they could successfully fund would be those of a residential nature in areas with high concentrations of poverty. These areas tend to be the exception rather than the rule in most non-urban areas.

Small cities and large, rural counties spend a large proportion of their CDBG dollars on infrastructure projects, particularly water and sewer projects, which use an area-wide benefit calculation. HR 1191, with the 80 percent low-mod requirement, coupled with the requirement that 40 percent of the funding be targeted to persons at 50% of the median income and below, would negate practically all of these projects due to these communities' dispersed populations.

Madam Chair, the report accompanying the FY 2002 HUD Appropriations Act directed HUD to undertake a study to determine the extent to which low-and moderate-income persons are benefiting from the CDBG program. It is believed that this report will show that CDBG grantees are already meeting and in most cases exceeding the low-mod benefit requirements of the program. My understanding is that the study is completed and is undergoing final review at HUD. We await the results with great anticipation, as I am sure the members of this subcommittee do as well. I have no doubt this report, when released, will validate the CDBG program's current structure.

The well-deserved support the CDBG program has earned over its 28 years comes from its proven ability to address, with maximum local flexibility, a myriad of housing and community development needs. The program is intended to benefit low- and moderate-income persons; it does so with great success. The local determination of needs combined with a wide array of eligible activities meeting national objectives allows the CDBG program to address the community development needs of over 1000 entitlement communities, the 50 states and Puerto Rico.

If I may quote from the CDBG Statute "…The primary objective under this title…is the development of viable urban communities by providing decent housing, and suitable living environments and expanding economic opportunities, principally for persons of low and moderate income." Let us not forget the "Community" in Community Development Block Grant. The future effectiveness of this great program depends upon continuing the program's tradition of flexible, local control.

We urge you to reject this bill.

Madam Chair, we were also urged to comment on the Administration's FY 2003 proposed budget. We are of course pleased with the slight increase of $95 million to the CDBG formula over FY 2002 levels, however it pales in comparison to the overwhelming need that exits. Our organizations are urging the Congress to appropriate not less than $5 billion in formula funding. We also want to associate our organizations with the expressions of opposition of those cities and counties that testified earlier today on the Administration's so-called wealthier communities proposal. This proposal ignores the existence of pockets of poverty within wealthy communities and pits communities against each other. Not only this proposal divisive, it is simply unnecessary. The CDBG formula, by design, already distributes funding based, in part, on the percentage of persons living in poverty within an entitlement community. In other words, the formula already directs appropriate levels of funding to communities with needy populations. The Administration's proposal would judge communities as a whole, ignoring the fact that even the wealthiest communities can be home to needy populations.

We urge the subcommittee to reject this proposal as well.